Immigrant entrepreneurs in Australia: Regulations and responses

Jock Collins*

Abstract Australia has a long history of immigrant entrepreneurship. Immigrant enterprises, mainly small businesses, generate significant economic growth, employment opportunities and import-export activity across a broad range of industries in Australia. Drawing on Australian research into immigrant entrepreneurship, this article seeks to explore the different forms of regulation and policy enacted by Federal, State and local governments that impact on immigrant entrepreneurs. The article interrogates the important policy question of how to best promote immigrant entrepreneurship and the establishment and survival of immigrant enterprises. The experiences of immigrant entrepreneurs in Australia vary considerably, with a diversity in pathways to immigrant entrepreneurship in Australia evident for both male and female immigrant entrepreneurs. Some cluster in ethnic precincts in the cities as owners of restaurants, cafés, shops and immigrant services. Others set up businesses in the suburbs or regional towns. This means that 'one size' will not fit all, pointing to the need for a diverse, complex policy response to immigrant entrepreneurship in Australia today.

Keywords immigrant entrepreneurship, Australia, policy responses, gender, diverse pathways, ethnic precincts, business migration.

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Australia has a long history of immigrant entrepreneurs,[1] dating back more than a century in the case of Chinese, Greek, Italian and Lebanese immigrants (Collins *et al*., 1995: 39-46), and some decades for Korean, Indian, Thai, Malaysian, Sri Lankan and other 'minority' groups in immigrant entrepreneurship (Lever-Tracy *et al*., 1991; Collins *et al*., 1995: 84-90). Their immigrant enterprises, mainly small businesses, generate significant economic growth, employment opportunities and import/export activity across a broad range of industries in Australia and many Western countries (Rath, 2000; Kloosterman and Rath, 2003; Collins, 2006). While most immigrant entrepreneurs in Australia are male, an increasingly significant number are female. Their immigration histories, including the human and financial capital they possess, and their family background, play out in complex ways in determining the nature of the immigrant entrepreneurship experience in Australia. These different individual experiences are embedded within family and ethnic community networks locally, nationally and internationally, as well as within regimes of governance, regulation and policy (Kloosterman and Rath, 2001).

Drawing on Australian research into immigrant entrepreneurship, this article seeks to explore the different forms of regulation and policy enacted by Federal, State and local governments that impact on immigrant entrepreneurs. The important policy question is how best to promote immigrant entrepreneurship and the establishment and survival of immigrant enterprises.

Firstly, it is important to provide a broad outline of the immigrant entrepreneurship experience in Australia. Rates of entrepreneurship vary considerably among ethnic or immigrant groups in Australia. Korean, Taiwanese, Greek, Italian, Dutch, German, Czech, Slovakian and Hungarian immigrants have relatively high rates of entrepreneurship compared with the Australian-born average. Other immigrant groups from China, Singapore, Malaysia, Egypt, Lebanon, Poland, Ukraine, the former Yugoslavian countries, the United Kingdom, New Zealand, Canada and the USA have rates of entrepreneurship similar to the Australian average. Immigrants from Japan, India, Sri Lanka, Vietnam, Indonesia and Turkey have lower rates of entrepreneurship. Female immigrant entrepreneurship is becoming increasingly significant in Australia (Low, 2004; 2005). Immigrant women tend to have similar rates of entrepreneurship to those of their co-ethnic males.

The Australian research on immigrant entrepreneurship (Lever-Tracy *et al*., 1991, 1999; Stromback and Malhotra, 1994; Collins *et al*., 1995; Collins, 2002) shows that there is increasing diversity in the paths that new immigrants take to entrepreneurship: some were previously unemployed, while others were manual labourers before opening a small business. Some must attain university qualifications that are prerequisites for entering the professions (such as doctors, dentists, accountants and lawyers) and opening a private practice, others leave corporate jobs to become entrepreneurs, while still others – business migrants – were already established as entrepreneurs before migrating to Australia. The Australian research also points to a diversity of class background among and between birthplace groups of immigrant entrepreneurs (Collins, 2000) and a great diversity in educational achievement. One survey of immigrant entrepreneurs in the mid-1990s found that while one in four had university qualifications, another one in four had not completed secondary school (Collins *et al*., 1997). Some immigrant entrepreneurs are recent immigrants; others have been here for decades. Finally, most immigrant entrepreneurs, like 90 per cent of entrepreneurs in Australia, are engaged in small businesses.

The Australian research has also indicated that immigrant women who start businesses in Australia structure their business life around their relationship with their husband, children, family and community, as well as their household responsibilities (Low, 2004). Put another way, the business decisions of immigrant women are embedded in family and community networks. In a similar way, as Kloosterman and Rath (2001) point out, the experiences of immigrant entrepreneurs are embedded within the broader structures and social relations of the society in which they settle.

In Australia, this means relatively easy access to citizenship, though during the recent Howard administration, the Australian government introduced a citizenship test and a constrained form of multiculturalism (Collins, 2008). Most immigrants, like most Australians, live in the city, so that most immigrant enterprises are located in the urban metropolis, but a number have also had a long history in regional and rural areas (Krivokapic-Skoko, Jordan and Collins, 2007).

Australian immigrant enterprises are very diverse, and so policy is required to respond to that diversity. While many immigrant enterprises produce or sell ethnic products such as food, coffee or artefacts, many others do not. Immigrant entrepreneurs are spread across the economy, with businesses in the services sector of the economy, including retail, real estate, finance, media and tourism. Others are professionals such as doctors, dentists and architects who run their own private practices. Some immigrant enterprises are clustered within ethnic precincts such as Sydney and Melbourne's *Chinatown* and *Little Italy* (Collins 2006a; 2006b); others are located in the suburbs of Australia's major cities and towns and in regional centres.

This diversity in pathways to immigrant entrepreneurship, in the resources that different cohorts of new immigrants bring to Australia, and in the networks that they draw on once in Australia means that 'one size' will not fit all, pointing to the need for a concomitantly diverse and complex policy response to immigrant entrepreneurship in Australia today.

Policies and regulations for immigrant entrepreneurship in Australia

This section reviews relevant policy and regulatory frameworks from Federal, State and local authorities and other institutions, beginning at Federal Government level, through to State and local government authorities.

Federal Policies

The Federal Australian Government promotes immigrant entrepreneurship directly though its permanent and temporary immigration policy (Collins, 2008). Australia introduced an Entrepreneurial Migration Category in November 1976 to allow immigrant entrepreneurs with detailed business proposals and capital to enter Australia under the permanent migration programme as migrant settlers. No minimum amount of investment capital was set, but in practice at least $200,000AUD (€120,000) was required. The entrepreneurial category was renamed the Business Migration Program (BMP) in November 1981 and in order to qualify, immigrants had to demonstrate a successful business record, have substantial assets – between $300,000 (€180,000) and $850,000 (€520,000) – that could be transferred to Australia, and intend to permanently settle and establish a business in Australia (Borowski and Nash, 1994).

Over the years this policy has been fine-tuned in the wake of the identification of anomalies in the programme. Evaluations of this programme suggest that it is largely successful. A 36-month longitudinal survey of those who arrived within the business category, commencing in 1993, found that 77 per cent had engaged in a business; 78 per cent of the businesses were newly created; an average of 4.3 jobs were created per new business; an average of $677,062 (€415,000) was transferred to Australia; an average of $317,022 (€195,000) was invested in the business; 11 per cent of businesses had a turnover of $1 million (€610,000) or more; and 63 per cent of businesses generated exports.[2]

Today business owners, senior executives and investors can apply for a visa under the Business Skills category. The main problem appears to be in attracting a sufficient number of entrants under this category, with Australia facing strong competition from other Western countries, including Canada. In March 2003 three Business Skills Processing Centres were opened and a two-stage process was in-

troduced, whereby business migrants are granted a Business Skills (Provisional) visa for four years. If they establish a business or maintain their legal investment over the four-year period they become eligible to apply for a Business Skills (Residence) visa, an entrepreneurial pathway to permanent residence in Australia.

A direct permanent residence category is still available for high-calibre business migrants sponsored by State and Territory governments, known as the Business Talent visa. In 2006-7, 4,881 Business Skills visas were granted, with China, the United Kingdom, Malaysia, South Africa, Singapore, Taiwan, Zimbabwe, South Korea, Hong Kong and Indonesia the most important source countries.

The Australian Government has also introduced new pathways for immigrant entrepreneurs willing to settle in regional and rural areas. The Regional Established Businesses in Australia programme, introduced in 2003, was designed to encourage new immigrant entrepreneurs to settle in regional and rural areas. If they establish a business and live in regional and rural areas for three years, they then qualify for permanent residency in Australia. A new Skills Designated Area Sponsored (SDAS) visa allows regional businesses - including those owned by immigrants - to find suitable applicants for skilled vacancies who can then be sponsored through the Regional Skills Migration Scheme (RSMS). The number of SDAS migrants has increased from 1,000 visas granted in 2000-01 to 7,547 in 2003-4 (DIMIA, 2005: 2).

In addition to these immigration policy initiatives, a number of Federal Government agencies assist immigrant entrepreneurship, directly or indirectly. One Federal scheme, the New Enterprise Incentive Scheme (NEIS), was designed to assist cash-poor unemployed people in entering the setting-up phase of a business enterprise, allowing them to take advantage of business training and draw on future unemployment benefits during the period in which the business enterprise is being established. An evaluation of this pilot programme in 1994-5 found that migrants comprised 20 per cent of the people who had started their own businesses through the NEIS programme, significantly higher than their percentage in the overall population (DEETYA, 1995).

These migrant entrepreneurs identified their low level of English language and literacy skills as barriers that caused a variety of problems: a lack of awareness of training opportunities; a reluctance to participate in mainstream 'classroom-style' training; difficulty in establishing networks; and difficulty in approaching financial institutions for loans. The review noted that lack of cultural understanding among those managing and running the programme also played a part. It mentioned the inadequate cultural-awareness skills of some employees in mainstream bodies, and the presence of a stereotypical view that migrants were too difficult to assist.

Other problems faced by immigrant entrepreneurs were identified, including their lack of familiarity with the Australian business environment, taxation and legal requirements, and the problem that some immigrants had had in getting their foreign qualifications recognised in Australia. The report recommended that policies be introduced using marketing strategies based on links with local migrant organisations and a combination of English and community languages in advertising strategies. It also emphasised that staff involved in training immigrant entrepreneurs be culturally and linguistically sensitive (DEETYA, 1995).

State Government

The State governments play a key role in the regulation of enterprises in Australia, including those owned by immigrants. These regulations relate to issues such as health and safety requirements and employment conditions, including wages, impacting on immigrant and non-immigrant entrepreneurs. For example, a decision in the 1980s to permit outdoor dining in the State of New South Wales meant that *al fresco* eating became possible for the first time. Today many immigrant enterprises are concentrated in the food industry, with ethnic restaurants and cafes, most with outdoor tables, in evidence across metropolitan and regional Australia (Collins, 2003).

Another key policy area relating to immigrant entrepreneurship is education and training, mostly a State government responsibility in Australia. Most small business entrepreneurs in Australia do not invest in education and training. The literature suggests that only 18 per cent of small businesses committed funds to vocational education and training for themselves or their employees (Employment and Skills Formation Council, 1994: xiv). Inadequate or inappropriate education and training is often a barrier to entrepreneurship, particularly for immigrant women (Ip and Lever Tracey, 1999).

One major study of the educational profile and needs of ethnic entrepreneurs in Australia (Collins *et al.*, 1997) confirmed the finding that ethnic entrepreneurs invested little in education and training. Most of those who did invest in training themselves spent less than $1,000 (€610) in the last financial year and generally spent less than $5,000 (€3,050) on training their staff. The ethnic entrepreneurs surveyed stated that the major areas of education and training that they themselves needed further training in were IT, financial management, personnel management and marketing. Collins *et al.* (1997) also found that the major constraints to participation in training, according to the ethnic entrepreneurs surveyed, were the cost of the training itself and the cost in terms of the time the entrepreneur or workers must take out from the business. There was strong support for online courses among the ethnic entrepreneurs.

Local Government

Ethnic precincts are key spatial sites – though, significantly, not the only sites - of the ethnic economy in the city (Collins, 2006b). In central or suburban parts of the city, ethnic precincts are essentially clusters of ethnic or immigrant entrepreneurs in areas of the city that are designated as ethnic precincts by place marketers and Government officials. They are characterised by the presence of a substantial number of immigrant or ethnic entrepreneurs who populate the streets of the precinct selling food, goods or services to co-ethnics and non-co-ethnics alike.

Ethnic precincts come in a number of forms. Often they tend to be associated with one ethnic group, as evinced by districts named *Chinatown, Little Italy, Little Korea, Little Vietnam, Little Turkey* and so on. Other precincts take on a broader multicultural identity such as *Little Asia* or the *Latin Quarter*. Local government has the responsibility for the development, planning and marketing of ethnic precincts. Each of these ethnic precincts has been developed with the financial and marketing support of local government. Ethnic festivals become key moments in promoting the precinct to a broader clientele, including tourists. Promotion of ethnic festivals is a key element of any strategy to promote immigrant entrepreneurship.

Discussion and policy recommendations

The Australian research into immigrant entrepreneurship highlights the increasingly diverse paths to entrepreneurship that immigrants take. Policy responses to immigrant entrepreneurship must respond to this diversity. One of the key areas of support for immigrant entrepreneurship in Australia comes in the form of admissions policies designed to attract immigrant entrepreneurs to settle in Australia. The long-running but continually refined Business Migration programme, together with recent initiatives to attract immigrant entrepreneurs to regional and rural Australia are examples of this.

Despite the growing importance of immigrant or ethnic entrepreneurs in Australia, most policy responses, other than immigration policies, do not distinguish between immigrant and non-immigrant entrepreneurs. These relate to education and training and finance, areas of difficulty for many entrepreneurs in Australia regardless of ethnicity and gender. Business failure rates are high for small businesses, including immigrant enterprises, so policies designed to respond to issues related to education, finance, business planning, trade, taxation and marketing for immigrant entrepreneurs could assist in reducing the failure rate of immigrant enterprises.

One key area of policy development for immigrant entrepreneurs relates to the issue of administrative red tape at the interface between immigrant entrepreneurs and all levels of government and other regulatory bodies. Many policy initiatives for entrepreneurs in the small business sector of OECD countries like Australia have concentrated on the need to reduce the administrative burden and compliance costs of regulation and governance – the so-called 'red tape'. The OECD estimates that the paperwork involved in establishing an enterprise in Australia takes about one week. This is similar to the situation in the USA, Japan and Sweden, and is considered to be 'a straightforward matter' (OECD, 1998: 20). However, red tape does not end there, with businesses required to respond to a range of Government administrative, regulatory and reporting requirements. Compliance costs have been estimated to siphon off as much as one-third (32 per cent) of the profits of small enterprises in Australia (OECD, 1998: 149).

Another policy issue across jurisdictions relates to the adequacy of existing Government communication strategies for ethnic or immigrant entrepreneurs. One study (Collins *et al.*, 2000) explored this issue through the setting up of focus groups of ethnic entrepreneurs in Sydney. The focus groups revealed that most of the ethnic entrepreneurs were not satisfied with the existing attempts of relevant Government departments and agencies to communicate their policies and procedures. Many ethnic entrepreneurs complained of the difficulty of having to work their way around the bureaucratic maze of legislation, red tape and policy developments that impacted on their businesses. While most ethnic small businesses needed to engage with a range of Government departments and agencies at the Federal, State and local government level, they complained that these different levels of Government appeared not to communicate effectively among themselves, creating problems and uncertainty for small businesses.

A number of policy implications for local, State and Federal agencies emerged from these consultations. First, Government agencies need a whole-of-government approach and a better sharing of resources to improve inter-departmental cooperation before approaching ethnic or immigrant small businesses. Second, diverse strategies are required, both within and between ethnic groups. This is to respond to the diverse backgrounds - education, linguistic and business - of ethnic entrepreneurs themselves. These strategies should crucially acknowledge the 'time-poor' features of many ethnic entrepreneurs' lives.

Third, the ethnic media should be a critical component of Government strategies to communicate with ethnic small business. Fourth, one of the most important aspects of any strategy to communicate with ethnic small business is identifying and tapping into existing networks, formal and informal. To this end, governments could consider working more closely with ethnic business associations and ethnic community organi-

sations in planning and operating multicultural marketing campaigns. Fifth, in many instances, ethnic small business requests for a one-stop shop or whole-of-government contact number, website or publication can be responded to by simply introducing campaigns to inform ethnic small business of what is already there. Sixth, new policy initiatives should aim for a whole-of-government approach, with one suggestion for an "Ethnic Business Expo" in each of the capital cities, advertised widely in the ethnic media and including bi-lingual and/or multi-lingual capacities where appropriate.

Policies designed to develop and promote ethnic precincts (Collins and Kunz, eds, 2007), the ethnic economy (Kaplan and Li, eds, 2006) and urban ethnic tourism (Rath, ed, 2007) will, in turn, help the immigrant entrepreneurs whose small businesses are located in clusters in particular. The important growth in female immigrant entrepreneurship in Australia, like other countries, also suggests a need for policies to be sensitive to matters related to intersection of ethnicity and gender. This area requires further research in Australia. Moreover, minorities face barriers in respect to language difficulties and racism and prejudice, issues that do not confront non-immigrant entrepreneurs.

Notes

[1] The terms immigrant entrepreneurs and ethnic entrepreneurs, though not identical (Collins *et al*., 1995: 35-8) are used interchangeably in this article.
[2] Data previously available of the website of the Department of Immigration and Multicultural Affairs (DIMA) at: http://www.dima.gov.au/facts/14labour.htm. The Department has since been transformed into the Department of Immigration and Citizenship (DIAC).

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